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For action

The UNICEF recovery policy

Summary

The present report has been prepared in response to decision 1994/R.3/5 (E/ICEF/1994/13/Rev.1), in which the Executive Board requested the Executive Director to review the application of the interim UNICEF recovery policy and to report thereon to the Board.

The Executive Director *recommends* that the Executive Board approve the recommendation contained in paragraph 40 of the present report.

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I. Introduction

1. The overall supplementary funding policy provides the rationale and the "road map" for operational procedures related to supplementary-funded projects in UNICEF. The recovery policy is a core part of the financial procedures within the supplementary funding policy. Recovery charges are to cover the costs for programme support and management and administration, which the organization must bear to implement supplementary-funded programmes.

2. When reviewing the 1994 review of the UNICEF recovery policy (E/ICEF/1994/AB/L.2), the Advisory Committee on Administrative and Budgetary Questions pointed out that "the basic assumptions for the cost forecast of 'headquarters recovery staff' and 'field-level general operating costs' required for implementation of supplementary-funded programmes" were not included in the report (E/ICEF/1994/AB/L.16, para. 15). The Advisory Committee also pointed out that "a further analysis should be done to enable a determination to be made of which support post costs should be borne by general resources and which by supplementary resources".

3. In decision 1994/R.3/5 (E/ICEF/1994/13/Rev.1), the Executive Board decided that the current 3 per cent recovery policy would be an interim policy that would be reviewed in 1999. At the Board's first regular session of 1998, the Executive Director requested that the Board review the recovery policy at the second regular session in September 1998. The present report reviews the adequacy of recovery charges in the following sequence:

(a) The fundamentals of how supplementary-funded programmes are managed in UNICEF are outlined in chapter II;

(b) The historical and current trends of income, expenditures and recovery of costs due to supplementary-funded projects are presented in chapter III;

(c) A methodology to estimate recovery costs is developed in chapter IV. This is done in the context of the biennial support budget for 1998-1999 using the following three steps:

(i) Definition and estimation of the proportionate costs in field offices' programme support budgets to support supplementary-funded programmes;

(ii) Definition and estimation of the cost of programme support and management and administration from headquarters of supplementary-funded programmes;

(iii) Demonstration of an adequate percentage needed to recover the costs contained in the biennial support budget for 1998-1999.

4. Taking into account the data and reasoning in chapter IV, it is recommended in chapter V that the Executive Board revise the recovery charge from the current 3 per cent to 5 per cent for all new agreements signed after the Board's approval of the recommendation. For that reason, the increase to 5 per cent will have only a limited impact on the 1998-1999 support budget. Subsequent biennial support budget proposals will include analyses on the adequacy of recovery charges for supplementary funding in relation to the support budget proposal.

5. The evolution of recovery cost policies in relation to the nature of supplementary-funded programmes and relevant approvals by the Executive Board is described in annex I.

II. UNICEF supplementary funding policy

6. The major emphasis in UNICEF fund-raising continues to be on increasing contributions to general resources. While donors (governmental and others) are always encouraged to provide general resources, supplementary funds represent an important source of additional income that normally cannot be made available as general resources for various reasons.

7. The purpose of supplementary funding is to expand and strengthen the UNICEF capacity for programme cooperation within existing policies and procedures. The unique feature in the supplementary funding procedure in UNICEF, which is different from that of other agencies, is that the supplementary funding component is approved by the Executive Board as part of the entire country programme. This enables UNICEF efficiently to integrate programme and operational plans for supplementary funding in its planning process.

8. UNICEF does not have a separate support budget structure as do other agencies, as was pointed out in the report on the harmonization of budgets of UNICEF, the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA) (E/ICEF/1997/AB/L.3 and Add.1). Another difference is that while some agencies are primarily funding agencies, UNICEF works as a partner in cooperation with Governments in supporting the programmes. Hence, UNICEF bears all common general operating costs and staff-associated costs, which some other agencies delegate to the executing agency. Owing to these differences, a comparison of recovery charges of different agencies is not straightforward.

9. The integrated usage of resources makes it possible for UNICEF to plan and implement supplementary-funded programmes at considerably less expense and in a more timely manner than if entirely separate structures were to be set up. However, the issue of cross-subsidization has been raised, i.e., the use of general resources income to support supplementary-funded programmes for such indirect costs as staff recruitment, supply procurements, accounting, financial management and donor reporting as well as support costs associated with programme planning and implementation. This is the main reason for setting up a recovery policy.

A. Integrated planning of country programmes

10. The first step in country programme planning is the situation analysis, a joint analysis of past cooperation and the policy priorities of the Government and of UNICEF, which leads to an agreed set of priority problems affecting children and women for which action should be taken.

11. On the basis of the priority problems, the objectives of the programme of cooperation are defined and broad strategies are identified. At this stage, preliminary budgets and possible sources of financing are considered. Given the wide variation in country situations, there are no fixed rules guiding this process. The entire programme for general resources and supplementary funding is submitted to the Executive Board for approval. When the country programme is approved by the Board, the general resources component will start immediately, with the supplementary funding component to be initiated only when supplementary funding is received.

B. Support budget and programme budget

Support budget

12. Both the need for an appropriate office structure and the total estimated number and category of project staff by programme and project are analyzed through the country programme management plan (CPMP). The support budget structure is normally balanced against a consistent volume of programmes. If changes are expected in the volume of supplementary funding, the biennial budget preparation and CPMP process will reflect this, and the support budget will be adjusted accordingly.

Programme budget

13. When planned supplementary-funded projects call for project personnel or other additional direct and identifiable costs, such as travel and the costs of computers for project staff, these costs are included in the project proposals that are submitted to donors and are not included in the recovery charge. The contracts of project personnel are linked to the duration of the supplementary funding. In some cases, the costs of project personnel are proportionately shared between general resources and supplementary funding, or between several donors funding a project. In many cases, different donors finance supplementary-funded projects only in part and often in stages. This necessitates flexible approaches and continuous adjustment, since supplementary funding is continuously being renewed, phased out and replenished with new supplementary funding.

III. Trends of income, expenditure and recovery of support costs

14. A summary of actual income for 1982-1997 broken down by funding sources is shown in annex II. The proportion of income for supplementary-funded programmes increased from 36 per cent in 1982 to 42 per cent in 1992 and remained at around 40 per cent from 1992-1997. The income for the four biennia from 1992-1999 is shown in table 1 below.

15. For 1998-1999, the medium-term plan projected that supplementary funding income will be around 40 per cent of total income. It is expected that the share of private sector contributions to general resources will rise to 60 per cent, which is similar to the level for government contributions. Therefore, the burden of share of recovery charges to cover management and administration and programme support costs are the same for contributions from Governments and private sources.

Table 1
(Income by different sources)
(In millions of United States dollars)

	1992-1993			*1994-1995*			*1996-1997*			*1998-1999 (planned)*		
	GR	*SF*	*GR+SF Total*	*GR*	*SF*	*GR+SF Total*	*GR*	*SF*	*GR+SF Total*	*GR*	*SF*	*GR+SF Total*
Amount												
Government	784	443	1227	715	598	1313	722	479	1201	696	523	1219
Private sector	238	247	485	274	312	586	313	272	585	367	249	b/616
Other income	35	57	92	83	35	118	63	-3 a/	60	60	8	68
Total	1057	747	1804	1072	945	2017	1098	748	1846	1123	780	1903
Percentage												
Government	64%	36%	100%	54%	46%	100%	60%	40%	100%	57%	43%	100%
Private sector	49%	51%	100%	47%	53%	100%	54%	46%	100%	60%	40%	100%
Other income	38%	62%	100%	70%	30%	100%	105%	-5%	100%	88%	12%	100%
Total	59%	41%	100%	53%	47%	100%	59%	41%	100%	59%	41%	100%

GR = general resources
SF = supplementary funds

a/ Including downward currency exchange adjustments.

Table 2
(Distribution of expenditure by funding source and categories)
(In millions of United States dollars)

	1992-1993 a/			*1994-1995 a/*			*1996-1997 a/*			*Planned 1998-1999*		
	GR	*SF*	*GR+SF Total*	*GR*	*SF*	*GR+SF Total*	*GR*	*SF*	*GR+SF Total*	*GR*	*SF*	*GR+SF Total*
Expenditure												
Programme less recovery	753	726	1479	696	828	1524	585	755	1340	629	757	1386
Programme support b/	221	19	240	237	29	266	279	38	317	301	37	338
Management and administration b/	172	15	187	190	24	214	154	20	174	146	18	164
Total	1146	760	1906	1123	881	2004	1018	813	1831	1076	812	1888
Percentage for programme and others												
Programme less recovery	66%	94%	78%	62%	94%	76%	58%	93%	73%	59%	93%	73%
Programme support b/	19%	3%	12%	21%	3%	13%	27%	5%	17%	28%	5%	18%
Management and administration b/	15%	2%	10%	17%	3%	11%	15%	2%	10%	13%	2%	9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

GR = general resources
SF = supplementary funds

a/ To enable a comparison with the definition in 1998-1999, adjustments were made between programme and programme support. Global funds expenditures for regional offices and headquarters in 1992-1993 and 1994-1995 are adjusted from programme to programme support to be consistent with the figures in 1996-1997 and 1998-1999.

b/ Amounts recovered from supplementary funds and interest earned on supplementary funding cash balances have been distributed to programme support and management and administration.

16. On the expenditure side, table 2 above present the breakdown of expenditure by funding source into programmes, programme support and management and administration for the four biennia from 1992-1999. It shows that for 1998-1999, 93 per cent of supplementary funds are expected to be distributed directly to programme activities, compared to 59 per cent for general resources, given that the current 3 per cent recovery policy continues.

17. The amounts recovered from supplementary funds were $19 million, $31 million, $27 million and $23 million (estimated) respectively for the four biennia. The interest earned on supplementary funding cash balances was $15 million, $22 million, $32 million and $32 million (estimated) respectively for the four biennia. These funding sources are distributed between supplementary-funded programme support and management and administration, totalling $34 million, $53 million, $58 million and $55 million (estimated) for the four biennia. These amounts are distributed proportionately to programme support and to management and administration, as shown in table 2. If the interest income is included, the recovery amount would be around 7 per cent for the biennia 1996-1997 and 1998-1999.

18. Table 2 documents the gradual increase in expenditures in programme support since 1992-1993. The increase reflects the expansion of programme support for programme cooperation from 138 to 161 countries and territories, and changes in where budget categories are charged. General resources have absorbed a larger proportion of the increase in programme support costs. This increase is reflected in table 2, where it is shown that 19 per cent, 21 per cent, 27 per cent and 28 per cent (estimated) of the total general resources expenditures are for programme support costs, respectively, for the four biennia. During the same time period, the percentages of programme support costs in supplementary-funded programmes increased from 3 to 5 per cent.

IV. Analysis of support costs for supplementary-funded programmes

19. The Executive Board has always stressed that a simple and uniform percentage approach is preferable to a more complex and costly accounting system to keep track of support costs in individual projects. It is with this principle in mind that a standard methodology is used, instead of trying to cover all offices and situations. As described below, the costs of supporting supplementary-funded programmes will be estimated in two separate areas: field offices (country and regional offices); and headquarters.

A. Programme support costs in field offices

20. The programme support budget in country offices and regional offices can be broken down into three cost categories as follows:

(a) Substantive support, which covers the costs of UNICEF basic programme and advocacy presence in a country. This would generally cover staff costs related to the posts of the representative, the programme officer, the communication officer and their support staff. Such costs are the prerequisites for the development of any programme of cooperation. Other direct costs related to these activities, such as overtime, temporary assistance, consultancies, official travel and computer equipment are also included here. The substantive costs are significant, because most of the staff in this category are international Professionals;

(b) Operational support, which represents the cost of the operational functions required for the proper execution of the mandated responsibilities of UNICEF in accordance with the rules and regulations. This includes staffing costs associated with posts in operations, finance, administration, personnel and computer support. The operational support costs also include the cost of overtime, official travel and computer equipment related to operational support;

(c) Common general operating costs, which include the operating expenses required for maintaining and running UNICEF offices. They include such expenses as rent, utilities, telecommunications, office supplies and United Nations reimbursement costs, which are not directly identifiable to individual staff.

21. The estimated breakdown of the country and regional office programme support budget in 1998-1999 into these three categories is shown in table 3 below.

Table 3
Country and regional office programme support budget breakdown for 1998-1999
(In millions of United States dollars)

	Amount	*Percentage for supplementary funding*	*Support costs for supplementary funding*
Programme support budget for 1998-1999 for country and regional offices			
Substantive	134	0%	0
Operations	74	30%	22
Common general operating costs	62	40%	25
Total	270		47

22. Most country offices have one representative, one senior programme coordinator and one information/communication officer whose posts represent fixed costs, whether or not the office has supplementary-funded projects. Therefore, these costs are not included in the calculation for recovery charge.

23. To analyze the support costs of the activities carried out in the operations area, a medium-sized country is used as an example in the case study in annex III. In a typical medium-sized office, one operations officer in the operations section supervises four areas: finance, supply, personnel and general administration. This one operations officer is the basic cost, regardless of the level of the supplementary-funded programme, although the size of the operations section varies according to the programme throughput. In the smallest offices, there are only two posts in the operations area, while in the medium-sized office described in annex III, there are two Professional posts in the operations section under the operations officer, who supervises nine support posts.

24. As indicated in the case study in annex III, this office manages total resources of $15 million:

(a) 60 per cent for general resources (44 per cent for the general resources programme and 16 per cent for the general resources support budget);

(b) 40 per cent for the supplementary-funded programme.

25. As illustrated in annex III, it is estimated that close to 30 per cent of an operations section's costs are related to the supplementary-funded programme expenditure. The share of common general operating costs for supplementary funding is calculated using 40 per cent as indicated in paragraph 24 (b) above.

26. Support costs of regional offices supporting country offices are calculated using the same percentages. These percentages are therefore applied to the global figures for country and regional offices to derive a global total of $47 million for 1998-1999 as shown in table 3.

B. Support costs for supplementary-funded programmes at headquarters

27. Following the harmonization of budget presentations of UNDP, UNFPA and UNICEF, all headquarters divisions are classified as performing either programme support or management and administration functions.

Programme support

28. The primary functions of these divisions are related to country programme development and delivery. In UNICEF this group consists of Programme Division, Supply Division, the Office of Emergency Programmes and one-time system costs supporting the same activities.

29. Programme Division and the development of the Programme Manager System (PROMS) are considered as performing core activities for policy development and programme support that would exist regardless of supplementary-funded programmes. Costs of these activities therefore are not included in the recovery analysis.

30. The workload in Supply Division is influenced by the requisitions for supply components for supplementary-funded programmes. The Office of Emergency Programmes, where policy development and emergency coordination take place, is influenced by supplementary-funded programme throughput. Therefore, these two divisions are included in the recovery analysis.

Management and administration

31. Some divisions perform activities and work processes which maintain the identity, direction and well-being of UNICEF. Executive direction and policy development are examples of corporate management functions that are maintained regardless of supplementary-funded activities. Divisions performing these types of activities are not considered in the recovery costing.

32. Some administrative functions are of a variable nature, influenced by the volume of resources entrusted and programme throughput. These functions are performed by the Division of Financial and

Administrative Management, the Division of Human Resources and the Programme Funding Office (PFO). The cost of managing supplementary-funded programmes is estimated for these divisions.

Basic principles

33. No separate structures are set up at UNICEF headquarters to manage supplementary-funded projects. The organization at headquarters is in place to perform functions needed:

(a) The work processes for managing and supporting supplementary-funded programmes are the same as for general resources programmes. The only exception is in PFO, where the work processes for supplementary funds are different and more time-consuming. This is reflected in the workload indicator;

(b) Since the organizational capacity is in place, there is no allocation of indirect costs of divisional or executive management from the divisions which are involved in supplementary-funded programme management.

34. The analysis of support costs for supplementary-funded programmes in headquarters divisions is presented in annex IV. The indicators and data applied fulfill the criteria of being simple and reproducible. In summary, this annex shows that the support costs are as shown in table 4 below:

Table 4
Summary of support costs in supplementary funding at headquarters
(In millions of United States dollars)

	Total budget: 1998-1999	*Support costs for supplementary-funded programmes*
Programme support		
Supply Division	32.1	7.0
Office of Emergency Programmes	6.5	6.4
Management and administration		
DFAM	23.7	7.0
Division of Human Resources	15.1	1.0
Programme Funding Office	5.7	3.4
Total	83.1	24.8

DFAM = Division of Financial and Administrative Management

35. The costs at headquarters to support supplementary-funded programmes are estimated to be $25 million in 1998-1999.

C. Total recovery charges of supplementary-funded programmes in UNICEF

36. On the basis of tables 3 and 4 above, the total support costs for field offices and headquarters for supplementary funding in 1998-1999 are estimated to be $47 million and $25 million, respectively. It is estimated that this cost can be met from the interest income plus a 5 per cent recovery from supplementary funding as shown in table 5 below.

Table 5
Indirect support costs for supplementary funding, 1998-1999
(In millions of United States dollars)

	Field programme support	*HQ programme support and management and administration*	*Total*
Indirect support costs for SF programmes	47	25	72
Less interest income from SF cash balances	7	25	32
Remaining amount to be recovered (lines 1 less line 2)	40	0	40
Total SF expenditure	757		
Percentage (line 3 divided by line 4)	5%		

HQ = headquarters
SF = supplementary funds

37. Since there are no separate structures for supplementary-funded activities, staff in programme support also support supplementary-funded activities. However, there are situations, described below, that require separate support or management services:

(a) Supplementary funding agreements that require an additional system and procedure; some agreements call for special expertise, research and reporting requirements which are not supported by the existing capacity and will require an additional system or expertise;

(b) A sudden influx of large supplementary funds which exceeds the planned throughput.

38. In the former case, if the Executive Director decides to receive the funds, then a higher percentage of charge may be negotiated on a case-by-case basis. In the latter case, which is usually time-bound and short term, and which happens in between the biennial budget preparation process, the structure and costs cannot be absorbed within the approved support budget. Part of the recovery costs will need to be released back to supplementary funds to cover additional programme support costs. When the projects are phased out, then these additional structures and costs will be phased out too.

V. Summary and recommendation

39. The methodology of calculating the recovery rate is closely linked to the basic concept of the supplementary funding policy as specified by the Executive Board in decision 1988/11 (E/ICEF/1988/13, para. A):

> "The major emphasis in UNICEF fund-raising should continue to be on increasing contributions to general resources. At the same time, supplementary funds should be sought as an important form of additional support. The purpose of encouraging supplementary funding is to expand and strengthen UNICEF capacity for programme cooperation within existing policies and procedures".

40. In light of the above analysis and conclusions, the Executive Director recommends the adoption of the following draft decision:

The Executive Board

Decides that:

(a) As implemented in the 1998-1999 biennial support budget, there will be one gross support budget to cover the costs of programme support and management and administration for general resources and supplementary funding;

(b) The interest earned on the supplementary funding cash balances will continue to be an item in the miscellaneous income in general resources;

(c) The methodology described in paragraphs 20-35 of document E/ICEF/1998/AB/L.6 will be used to calculate the programme support and management and administration costs for the supplementary-funded programme; the interest income on the supplementary funding cash balances will finance part of the support costs; and the remaining amounts will be recovered from a percentage chargeable to all supplementary funds contributions. The methodology may only be changed with prior approval of the Executive Board;

(d) All supplementary-funded programmes shall include a separate budget line for "indirect programme support costs" equivalent to the actual recovery rate approved; this line item shall be additional to such direct costs as project staff costs and related travel and computer equipment, which will continue to be included in the specific programme budget. The recovery rate will be applied to actual supplementary-funded programme expenditure for a given budget year;

(e) To cover the support costs to be incurred in the 1999 support budget, 5 per cent, as explained in paragraph 36 of document E/ICEF/1998/AB/L.6, will be used as the recovery rate in the manner described in subparagraphs a-d above;

(f) This rate will be applied to all new agreements to be signed after the Executive Board's approval of the revised policy. A full analysis of recovery charges will be included in subsequent biennial support budget proposals. The percentage may only be changed with prior approval of the Executive Board;

(g) In the case of extra requirements for expertise, research or reporting from donors, additional charges will be negotiated, on a case-by-case basis, to cover the additional costs to set up separate capacity systems and procedures;

(h) In cases where an influx of large supplementary funds exceeding the planned throughput necessitates additional programme support functions to be established, as described in paragraph 37 of document E/ICEF/1998/AB/L.6, part of the recovery will be released to field offices or Supply Division for establishing additional programme support costs for supplementary-funded programmes.

Annex I

Major decisions in the history of the UNICEF recovery policy

1. In 1986, the Executive Director submitted to the Executive Board a comprehensive report on supplementary funding (E/ICEF/1986/L.2). In decision 1986/9 (E/ICEF/1986/12), the Board defined more precisely the nature of posts and overhead costs to be funded through the recovery charge, and decided that supplementary-funded projects should be charged with the cost of staff at headquarters locations whose posts are related exclusively to the administration of supplementary funds and associated costs, as follows:

(a) Travel and per diem costs associated with missions of core staff when these are undertaken for the preparation, monitoring and evaluation of supplementary-funded programmes;

(b) A prorated allocation of general operating costs of field offices administering supplementary-funded programmes.

2. In the same decision, the Board decided that the proportional costs of other core staff involved in the administration of supplementary-funded programmes would remain as an expenditure to be absorbed by the overall administrative and programme support budget. Finally, the Board reconfirmed that UNICEF should continue to credit interest income earned on unexpended supplementary funds contributions to general resources in order to compensate for indirect costs which would be difficult or costly to identify. This was later reconfirmed in the UNICEF Financial Regulations and Rules, which were amended by the Executive Board in decision 1987/13 (E/ICEF/1987/11).

3. In decision 1987/9 (E/ICEF/1987/11), the Executive Board noted the methodology developed by the secretariat to apportion general operating costs to supplementary-funded projects as explained in the budget (E/ICEF/1987/AB/L.1, paras. 32-37). The Board further resolved that the recovery charge should be 6 per cent and should be included as a separate budget item in the presentation of proposals for supplementary funding to donors and that this recovery charge should not be changed without the prior approval of the Board.

4. The Board accepted the secretariat's recommendation that budgets for emergency programmes should not be subject to cost recovery and that contributions from National Committees for UNICEF and non-governmental organizations (NGOs) should be exempt so as to maintain the maximum level of public support for the work of UNICEF. Host countries were also exempted from payment of recovery charges on the funding of their own programmes.

5. Finally, the Executive Board resolved that no posts could be added to this category without the prior approval of the Executive Board and that tables listing all project posts at headquarters locations would be included in all future biennial administrative and programme support budget proposals.

6. In 1991, after four years of experience with the recovery policy, the Board, in decision 1991/29 (E/ICEF/1991/15), requested the Executive Director to review the adequacy of the 6 per cent surcharge.

7. After reviewing the Executive Director's report on the recovery policy (E/ICEF/1992/AB/L.8), the Board in 1992 noted that UNICEF was recovering the full 6 per cent charge from virtually all eligible contributions, but that the nature of supplementary-funded contributions had changed. Since 1990, government contributions for emergency supplementary-funded programmes had shown a sizeable increase with an offsetting relative reduction in funding for non-emergency programmes. With the shift in balance between non-emergency and emergency contributions, of which only the former were subject to a recovery charge, the amounts collected were sufficient only to cover the designated overhead costs on non-emergency supplementary-funded programmes.

8. In 1992, the Executive Board, on an interim basis, decided that the policy of charging a 6 per cent recovery rate to all supplementary-funded projects for non-emergency purposes should be continued, and that the charge should be extended to all emergency supplementary-funded programmes excluding in all cases those programmes funded by National Committees, NGOs and host Governments' contributions to their own programmes.

9. During the Board's consideration of recovery charges at its 1992 session, many delegations expressed the desire for a complete review of the issue and consideration of alternative approaches. The Advisory Committee on Administrative and Budgetary Questions also noted "the significant increase in administrative, personnel and operating costs relating to all supplementary-funded programmes over the last years" and expressed the "urgent need to expand the current recovery policy to meet the additional requirements of UNICEF to finance prorated project posts and field overheads related to the implementation of such programmes" (E/ICEF/1992/AB/L.18, para. 55).

10. The Advisory Committee further expressed the view that "a large number of project posts at headquarters are actually project support posts which should be financed from the administrative and programme support budget". It continued that "the current procedure, especially the classification of project posts related to the 6 per cent recovery on supplementary funds which perform core functions, leads to an underestimation of the actual administrative and programme support costs of UNICEF" (E/ICEF/1992/AB/L.18, para. 30).

11. In 1994, on the basis of the recommendations submitted by the Executive Director (E/ICEF/1994/AB/L.2), the Executive Board decided in decision 1994/R.3/5 (E/ICEF/1994/13/Rev.1) that the current 3 per cent recovery policy would be an interim policy to be reviewed further in 1999. Several procedural changes from the previous 6 per cent recovery policy were made. The 3 per cent recovery rate would be applied to all supplementary-funded projects and used to cover field offices' programme support costs. Finally, all headquarters project posts previously charged to recovery funds were to be charged to the administrative and programme support budget, without any change to contractual status.

12. At the third regular session of 1995, the Executive Board approved the administrative and programme support budget for field offices for the biennium 1996-1997 (decision 1995/31, E/ICEF/1995/9/Rev.1). In this budget, the general operating costs represent the net costs after subtracting the estimated 3 per cent recovery on the basis of the projected supplementary funding expenditure for 1996-1997.

13. At its second regular session of 1996, the Board approved the first integrated budget for headquarters and regional offices for 1996-1997 (decisions 1996/10-1996/13, E/ICEF/1996/12/Rev.1). In this budget, all the posts previously funded from the recovery charge were included in the support

budget and funded from general resources. The interest income received from the unexpended supplementary funding balances continues to be included in the general resources income

14. At the first regular session of 1998, the Executive Board approved the biennial support budget for 1998-1999 (decision 1998/2 (E/ICEF/1998/6 (Part I)). The amounts recovered by the current 3 per cent recovery policy were shown as a credit to the gross budget, thus reducing the funding of the support budget from general resources. The Executive Director also requested at that time that the Board review the recovery policy at the second regular session of 1998.

Annex II

UNICEF income, 1982-1997

(In millions of United States dollars)

	Actual										
	1982	1984	1986	1988	1990	1992	1993	1994	1995	1996	1997
Income											
General resources	243	223	296	437	531	548	509	535	537	551	547
Supplementary funds											
Regular	85	82	127	235	233	186	187	257	311	287	243
Emergencies	50	27	32	39	57	204	170	214	163	106	112
Subtotal	135	109	159	274	290	390	357	471	474	393	355
Total, income	378	332	455	711	821	938	866	1006	1011	944	902
% of SF income	36%	33%	35%	39%	35%	42%	41%	47%	47%	42%	39%

SF = supplementary funding

Annex III

Office activity-based cost analysis: a country case study

Summary	1998-1999		
Country programme			
Biennial general resources programme	$6,640,000	52.5%	44.2%
Biennial supplementary funding programme	$6,000,000	47.5%	40.0%
Total	$12,640,000	100.0%	
Support budget	$2,370,000		15.8%
	$15,010,000		100.0%
Percentage of support budget to total programme		18.8%	

Cost analysis of support budget		Number of posts			
	Total	IP	NP	GS	Total
Substantive support	$930,000	2	1	1	4
Operation support	$759,000	1	2	9	12
Common general operating costs	$681,000				
Support budget	$2,370,000	3	3	10	16
Operating support section					
1 P-4 operations officer	$301,000				
1 NOB accounting officer	$52,000				
1 finance/account clerk	$23,000				
1 finance assistant	$29,000				
1 electronic data processing assistant	$40,000				
Subtotal, finance management	$144,000				
1 NOB administrative/personnel officer	$52,000				
1 administrative/personnel assistant	$40,000				
1 travel clerk	$23,000				
1 telex operator	$11,000				
1 receptionist	$11,000				
2 drivers	$22,000				
Subtotal, administrative/personnel	$159,000				
Total, operations section posts	**$604,000**				
Other staff costs for operations section	$21,000				
Travel	$34,000				
Supplies and equipment	$100,000				
Sub-total, operations	**$155,000**				
Total, operations section costs	**$759,000**				

Annex III (continued)

Office activity-based cost analysis: a country case study

Activity analysis of Operations Section		Supervisor			Units			Total		
		% of activity	$301,000 G	S	% of activity	G	S	Total	G	S
Financial management	% distribution	25.00%	100.00%	0.00%	100.00%	52.53%	47.47%			
	Amount	$75,250	$75,250	$0	$144,000	$75,646	$68,354	$219,250	$150,896	$68,354
Supply and logistics	% distribution	15.00%	30.00%	70.00%	100.00%	30.00%	70.00%			
	Amount	$45,150	$13,545	$31,605				$45,150	$13,545	$31,605
Personnel management	% distribution	30.00%	100.00%	0.00%	100.00%	52.53%	47.47%			
	Amount	$90,300	$90,300	$0	$159,000	$83,525	$75,475	$249,300	$173,825	$75,475
Administration	% distribution	30.00%	100.00%	0.00%						
	Amount	$90,300	$90,300	$0						
Total, Operations Section posts		$301,000	$269,395	$31,605	$303,000	$159,171	$143,829	$604,000	$428,566	$175,434
									70.95%	29.05%
	Other costs							$155,000	$109,980	$45,020
Total, Operations Section costs								$759,000	$538,546	$220,454
									70.95%	29.05%

G = general resources

GS = General Service

IP = International Professional

NOB = National Officer at the (2) level

NP = national Professional

S = supplementary funds

Annex IV

Support costs for supplementary-funded programmes at headquarters

Recovery model definitions:

Cost centre	Lowest level of cost analysis for recovery purpose -- same as lowest budget unit
* Fixed cost	* Activities in unit are not influenced by supplementary-funded programmes
* Variable cost	* Activities in unit are influenced by supplementary-funded programmes
Cost driver	Activity or workload indicator used in model as the major contributor to variable costs

Recovery model outline:

Step 1	Units are identified where workload is influenced by supplementary-funded progammes.
Step 2	Cost drivers for the main processes are identified for each unit.
Step 3	The percentage of supplementary-funded programme activities for each cost driver is calculated.
Step 4	The percentage is applied to unit costs to estimate cost of supplementary-funded activities.
Step 5	Costs of all headquarter supplementary-funded activities are added.

UNICEF posts: budget data 1998-1999

Posts managed by Division of Human Resources in New York:	Posts	
Total	1422	90%
Supplementary-funded programme posts	153	**10%**
	1575	100%

Supply Division purchase orders: actual data 1997

Values in millions of United States dollars

Funding source	Value of purchase orders		Number of purchase orders	
General resources	64.5	21%	10,936	39%
Supplementary funding	153.5	49%	13,638	**48%**
Procurement Services and Other	94.1	30%	3,685	13%
Total	**312.1**	100%	**28,259**	100%

Programme Funding Office: actual data 1996-1997

Values in millions of United States dollars

Income source from Governments	Value	Workload Weighting	Weighted Value	
General resources	721	1	721	23%
Supplementary funding	479	5	2,395	**77%**
Total	**1,200**		**3,116**	100%

Office of Emergency Programmes: actual data 1996-1997

Values in millions of United States dollars

	Value	
Supplementary-funded emergency programmes	218	**98%**
General resources emergency programmes	5	2%
Total	223	100%

Annex IV
(continued)

Support costs for supplementary-funded programmes at headquarters

Division	Cost drivers	Cost allocation percentage	
Supply Division	Number of puchase orders	% supplementary funded purchase orders	*48%*
Office of Emergency Programmes	Funding of emergency programmes	% supplementary-funded emergency programmes	*98%*
DFAM	Value of managed resources	% supplementary funds	*40%*
Divison of Human Resources	Number of managed posts	% supplementary-funded posts	*10%*
Programme Funding Office	Income from Governments	Weighted % of Supplementary Income	*77%*

Programme support

	1998-1999 support budget	Cost centre			SF activity costs	
Supply Division	(millions US dollars)	fixed	variable	allocation	(millions US dollars)	
Administration and systems support	17.6	X				
Technical centre and quality assurance	6.2		X	48%	3.0	
Customer Service Support	2.4		X	48%	1.2	
Warehouse & Logistics	5.9		X	48%	2.9	
	32.1				7.0	22%
Office of Emergency Programmes						
New York	5.2		X	98%	5.1	
Geneva	1.3		X	98%	1.3	
	6.5				6.4	98%

Management and administration

DFAM						
Administration	6.3	X				
Accounts, Finance and Budget Sections	17.4		X	40%	7.0	
	23.7				7.0	29%
Division of Human Resources						
Administration and other	4.5	X				
Human Resources and Career Management	10.6		X	10%	1.0	
	15.1				1.0	7%
Programme Funding Office						
Administration	1.2	X				
Fund-raising and Monitoring Units	4.5		X	77%	3.4	
	5.7				3.4	60%
Grand Total	83.1				24.8	30%